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30 June 1950

MEMORANDUM

TO: Chief, Special Support Staff
FROM: Finance Division
SUBJ: Report of Management Survey

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1. In accordance with your instructions, we submit the following information and comments with respect to the recommendations of the Management Staff following their survey of the Finance Division. The comments are in the order of the separate recommendations contained in the survey report:

a. Submission of a recommendation to the Executive for appointment of an Agent-Cashier to act as Disbursing Officer was prepared but has been delayed pending results of discussions, now in progress, with the Chief Disbursing Officer of the Department of the Treasury. It is hoped that satisfactory arrangements will be concluded within the following week. The undersigned strongly recommends that there be no basic changes made in our disbursing system which is based upon individual Agent-Cashiers drawing working funds from the Treasury on vouchers approved by the Director. The Agent-Cashier system has provided the flexibility proven to be necessary in the conduct of the covert financing of the Agency. The controls surrounding this system, as employed by the Finance Division, are believed to be equal to any system commonly employed elsewhere.

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c. Consideration has been given by the Executive to the assignment of Certifying Officers to Class "A" foreign stations but he has declined such action for the time being. Under suitable conditions such assignments might be practicable. However, they are not feasible under the present Agency policy of rather strict control of both operations and administration by Headquarters. We are not now in a position to furnish the necessary number of thoroughly trained Finance Officers which would be mandatory under such a procedure. A further serious handicap is the unavoidable delay in communications.

d. The question of the type and content of monthly reports issued by this Division dates back to 1946. Since that time numerous studies have been made with the view to establishing a method of reporting which would appear to best suit the purpose. One survey, conducted by two certified public accountants could suggest no improvement unless we (1) completely abandon fiscal year accounting or (2) abandon the commodity asset concept and establish the fiscal accounting system employed by other government agencies. Neither of these alternatives were recommended since they were deemed impracticable and undesirable under the circumstances of the peculiar requirements of the Agency. Under the present method of operations, financial support can be accomplished only in an unorthodox fashion which includes advances and revolving funds in more than a hundred types of currencies and assets. Various Agency officials, including representatives of the Budget Office and the Audit Division of the I&S Staff have attempted to re-fashion the method of preparing the monthly financial report; however, there has been no general agreement with respect to modification and improvements. It is our opinion that an arbitrary decision must be initiated with respect to the type of accounts and reports maintained and issued by the Finance Division. Such a decision should be predicated upon the present Agency policy pertaining to fiscal year budgets and accounts and the kind of information desired by the Budget Officer and other Agency officials. We believe that we can amend and improve the present system basically, to provide the desired information pertaining to commitments and obligations. We are now working toward such improvements which, if acceptable, we believe can be implemented during the early part of the coming fiscal year.

e. The function of Contracting Officer which is vested in the Chief, Finance Division, is now being performed in the office of the Chief, SSS, by reason of the temporary detail of the Chief, Finance Division, to that office. We concur that this authority should be permanently vested elsewhere than in the Finance Division.

f. A reasonable control system has been established for the follow-up of advances and to the extent that limited personnel will permit, is being practiced. This statement is also pertinent to the follow-up and

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settlement of audit exceptions. As soon as new personnel are recruited and trained, we hope to more successfully carry out this function. Through the use of overtime, we believe we are achieving a satisfactory rate of progress in the settlement of audit exceptions.

g. Instructions to the field are being issued on a reasonably current basis. Our principal problem in this regard is the need for technical improvement in the forms of issuance. There is a real need for a completely revised Field Manual, incorporating in improved terminology, all of the presently outstanding instructions. A considerable amount of work has been done on such a manual and we believe the project can be completed by the end of this year. In the meantime, existing instructions, although perhaps cumbersome, are consistent with the Agency and other applicable government regulations.

h. We are in complete agreement with the recommendation that a responsible officer should be designated to plan, schedule and conduct a training program for new employees prior to their assignment abroad. We are now conducting such training within the limits of available personnel and time. As soon as a responsible officer is available for this assignment, we are confident of a major improvement in this program.

i. Satisfactory tests conducted by this Division and Machine Records Division of OCD have been concluded with a view toward converting our payroll to a machine operation. Actual conversion awaits only the establishment of a Machine Records Division to process covert accounts. When this is done, a number of other accounts including advances can be converted to machine operation which we are confident will result in major improvement.

j. A statement of functions on the branch and section level is being prepared and will be submitted under separate cover.

k. A review of all forms used by this Division is now under way and will be completed at the earliest opportunity. We have to date been able to implement only the framework of the new organization due to the insufficient time available in obtaining the services of the additional employees recommended by the Management Staff. As new employees are trained and become productive, efficiency will increase as implementation progresses.

l. The organizational structure as recommended by the Management Staff has been approved by the Executive and is being established as rapidly as possible.

m. The additional positions recommended in the survey have been approved and reasonable progress has been made toward increasing the Finance Division Staff. Of the [REDACTED] are now enumerated, leaving 4 vacancies. We have requested the Employees Division to give priority to recruitment against these vacancies and at the present time, several candidates are under consideration.

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2. As indicated by the above comments, we have taken appropriate action and reasonable progress is being made in connection with most of the recommendations made in the Management survey. However, we do not feel that the foregoing presents an entirely realistic picture of our actual situation. While we have only 4 vacancies on the new, approved T/O, it is also true that we have only [redacted] employees in an actual duty status. Of this number, 2 are engaged in Credit Union and insurance activities with a considerable amount of time spent in supervision by a third employee. The difference can be accounted for by the following explanation:

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- (a) Three senior members of the staff and one clerk are now absent on emergency leave or are detailed elsewhere.
 - (1) The Chief, Finance Division, has been detailed to the Special Support Staff since February 1950.
 - (2) The Chief, Certification and Liaison Branch has been on duty [redacted] since December 1949 as the result of an emergency in that area.
 - (3) The Chief of the Payroll, Travel and Allowances Branch is on indefinite emergency leave as a result of a family emergency.
 - (4) A Payroll clerk is on indefinite maternity leave.

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In addition, 14 positions are encumbered by individuals now under security check. Our actual duty status position is as follows:

On duty -
On detail or emergency leave
Under security check -
Vacancies -

Total

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3. All possible action has been and is being taken to expedite the improvement and training of personnel. Even as we assume a better position Departmental-wise, we are now in receipt of urgent requests to supply the covert offices, notably OPC, with trained Finance employees in various field positions and projects at an early date. We have discussed our personnel situation with the covert offices and they understand that we are understaffed, that many of our employees are still under-trained and that generally our position is precarious. However, it is their contention that the need for field employees is so urgent that we should nevertheless make immediate assignments of experienced personnel and depend upon replacement through recruitment and intensive training. We cannot but agree with the need for such assignments since recent incidents of improper action have made this need quite evident. However, we cannot in good faith recommend that the position of the Finance Division be further impaired. We cannot now comply

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with the basic regulations in some respects, i.e., audit and certification of Class A accounts. Furthermore, we are not giving proper time and attention to many accounts and activities simply because we do not have the personnel to do this. We have authorized overtime to a maximum degree and have taken all reasonable shortcuts and eliminated processing wherever possible. Many of our people are voluntarily working many hours of overtime without compensation in an attempt to keep reasonably abreast of their work. It is apparent to us (a view shared by the Management Staff) that the functions of the Finance Division at the volume level of March 1950, are impossible of proper performance without the services of all personnel authorized on our new I/O, plus a field employee pool to provide for home leave, illnesses, etc. of finance employees serving abroad. xxxx

4. We are now faced with an alternative of performing all jobs in a satisfactory manner in the greatest volume possible under the circumstances or further reducing an already unsatisfactory standard of performance and service. The first alternative would require the processing of accounts and other work on a first-in, first-out basis or on a selective basis, attempting to care for the most urgent cases first. The second alternative is, of course, undesirable and should be resorted to only if no other means is available. We believe it may be necessary to combine the selective work procedure with a further reduction in the standard of performance for a short period until additional personnel enter on duty. By reducing standards of performance we do not intend to abandon governing regulations and policies but rather we may have to forego the normal processing of accounts thereby taking the obvious risk of a higher percentage of error and subsequent audit exceptions. Our present staff, especially the Certifying Officers, are most reluctant to sacrifice accuracy in performance since the result may be construed as incompetency on their part at a later date, when errors are detected and audit exceptions taken. Unfortunately, since the errors will not be detected until a later date, it would be more difficult for officials to understand the reasons for the apparent lack of satisfactory performance.

5. The foregoing situation is materially aggravated by the fact that the covert offices are demanding a great deal more service for the same volume of accounts. This is entirely reasonable and is a result of their success in establishing truly covert operations as opposed to the nominal, official cover type of operations. The additional work required to process this type of account may be reflected in the difference of a few moments normal time spent by a payroll clerk processing a semi-covert account, to several hours on the part of a staff officer processing a covert account. For example, it is frequently necessary that a staff officer visit various xyxy

most instances, undesirable to pay agents greatly in advance and consequently we cannot reduce the work-load by making larger although less frequent payments. We are now preparing to confer with operational officials and the I&S Staff concerning the security of the procedures which are now followed.

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6. It is our belief that we now have a very realistic organizational structure and an adequate T/O for the volume level of March 1950. We are confident that within a few months, which will be required to obtain and train all authorized employees, satisfactory standards of performance can be achieved. Our problems are not unsurmountable nor in fact particularly difficult. It is simply a matter of volume much of which, for security reasons, is not permissible of handling in an orderly routine manner.

Deputy Chief, Finance Division

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